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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

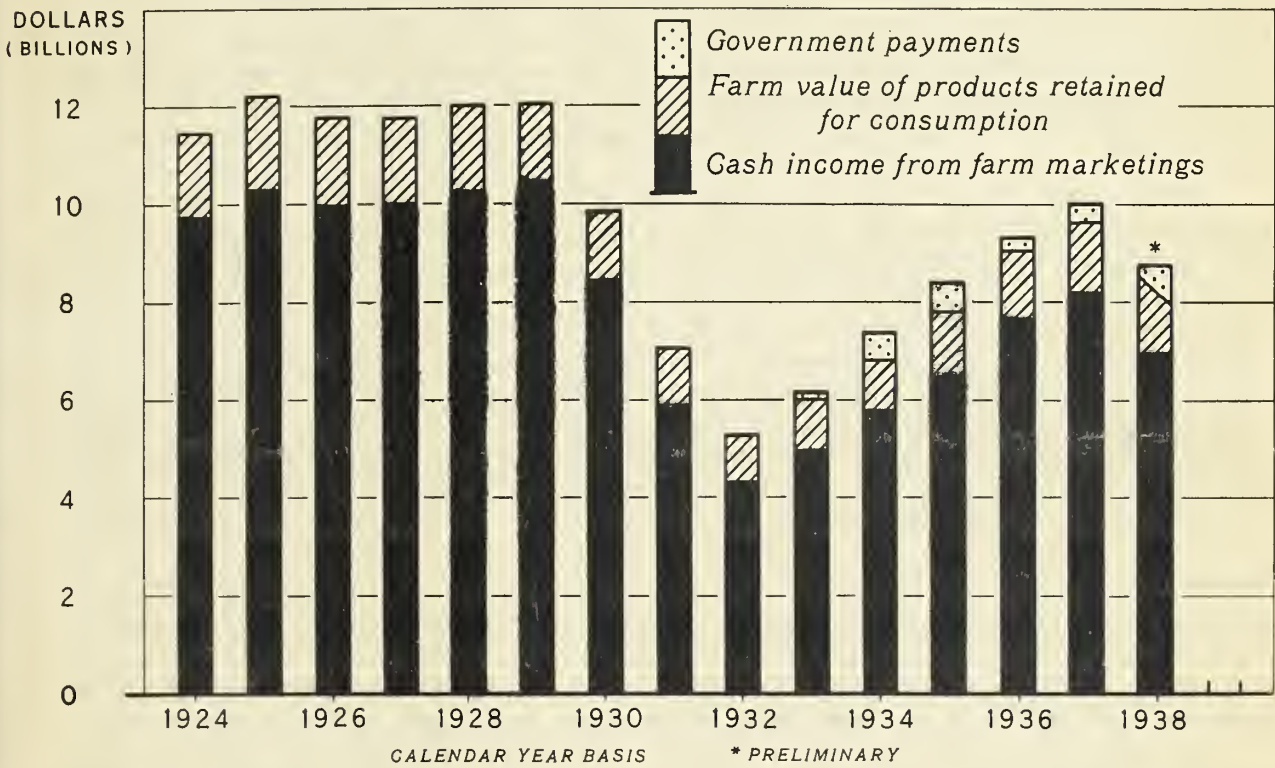
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U. S. Department of Agriculture

GROSS AND CASH FARM INCOME, UNITED STATES, 1924-38



U. S. DEPARTMENT OF AGRICULTURE

NEG. 34549 BUREAU OF AGRICULTURAL ECONOMICS

THE DECLINE IN GROSS AND CASH FARM INCOME OF MORE THAN 12 PERCENT FROM 1937 TO 1938 RESULTED LARGELY FROM THE MARKED DECLINE IN THE INDUSTRIAL DEMAND FOR FARM PRODUCTS AND IN INCOMES OF CONSUMERS. THE DECLINE IN CASH FARM INCOME HAS BEEN ONLY PARTIALLY OFFSET BY LOWER PRICES FOR ARTICLES PURCHASED BY FARMERS. FARMERS' PURCHASING POWER IN 1938 IS ABOUT 9 PERCENT LOWER THAN IN 1937.

DOMESTIC DEMAND

Developments during the past month have removed nearly all doubts that there will be a substantial improvement in industrial activity, consumer incomes and domestic demand for farm products this fall. The Federal Reserve index of industrial production for July was 63 percent of the 1923-25 average, up 6 points from the June level. There was slight improvement also in employment and factory pay rolls. Orders for steel and other products going into new automobile models, together with other new business definitely in sight, seem to assure a substantial additional rise in industrial activity through the fall.

In some depressions, what have appeared at first to be the beginnings of industrial recovery were followed shortly by a resumption of the decline. Many farmers and business men remember the false starts which were made in the spring of 1930 and of 1931. Principal interest now centers, therefore, on latest indications regarding the probability of a continuance of the upswing now in progress, and the extent to which it will be reflected in prices of farm products.

The conditions which point to the probability that recent improvement in the industrial situation is not merely temporary, but likely to continue into 1939 at least, have been discussed in previous issues of this report. Scattered additional evidence becoming available during the month mainly tends to support these conclusions.

Once an upswing is definitely under way, its cumulative effects tend to bring further improvement, unless checked by some combination of unfavorable circumstances not a direct part of the cyclical movement. Probably the most important unfavorable developments have been the weakness in commodity prices and uncertainties in the foreign situation. The Bureau of Labor Statistics index of all commodity prices was down one point in August from July. This was due mainly to lower prices for some important farm products induced by larger prospective supplies. The early summer advance in prices of numerous industrial raw materials, however, also has been halted. Price changes affect, as well as result from, changes in business prospects. General weakness in the commodity price structure coming at this time might seriously interfere with the upward movement of industrial activity, but there is no indication now that the general level of wholesale prices will show marked additional weakness in the next few months.

In the present recovery, as in others, consumer incomes and the demand for farm products are lagging behind the improvement in industrial production. Material increases in the demand for most farm products, particularly perishables, must await actual increases in the purchasing power of consumers. The demand for farm products which are stored for long periods or which are traded on futures markets no doubt already has been influenced somewhat by the improved business prospects, but this influence is obscured by the effects of large supplies. Also, commodities which are exported or imported in large quantities are not affected to the same extent as others by improvement in domestic conditions. Prices of commodities which are supported by Government loans or purchase programs also would not be expected to reflect the prospective

increase in demand unless the improvement were great enough to cause prices to rise above the loan value. In view of these conditions, it is probable that the expected improvement in domestic business this fall and winter will not be reflected in the prices and incomes received by farmers to the same extent as it would if conditions were more normal in other respects.

FOREIGN DEMAND

Continued weakness in the pound sterling was perhaps the most outstanding development in the foreign demand situation during the past month. Weakness in the pound sterling may be attributed to large transfers of British funds into gold and dollars, and to continued excess of imports over exports of merchandise in England coupled with the reverse situation in the United States. Should this weakness continue, it might have a material adverse effect upon our export markets for farm products.

Another foreign development of some importance was the apparent tendency of business activity in England to level off, following the sharp decline in the first half of 1938, although the small gain which occurred in June was lost in July. The weakness in industrial activity in England since September 1937, has been most pronounced in such industries as iron, steel, coal, shipbuilding, textiles, and railway traffic. Overseas trade, especially exports have been declining and exports of cotton piece goods are at the lowest for 90 years. Retail trade has also declined. Unemployment has declined some in recent months but is considerably higher than a year ago in nearly all branches of industry.

Great interest centers, also, on business conditions in other countries, since any continuance of the downswing in world business activity which has been in evidence since last fall would be reflected in decreased export demand for United States farm products, and also would have an adverse influence on domestic business conditions. In Germany business activity has been maintained, but there have been an increasing number of reports lately of a credit stringency which, to some extent, was reflected in the recent sharp decline in security prices. Construction costs are reported to be high and there is a shortage of skilled labor, which, among other things, is said to present a rather dismal outlook for industrial profits.

In France, industrial activity continues at a very low level and security markets are dull. Business activity has failed to show any recent improvement in Holland and Switzerland. In the Scandinavian countries, although business has been well maintained, there have been some declines lately. Argentina is experiencing a trade recession, poor crops having reduced exports. In Japan, the vigorous exchange control has succeeded in reducing the heavy excess of imports and in July there was a small net balance of exports. However, many industries are short of raw materials. During the past year, Japan appears to have exported over half of her gold reserves in payment for foreign materials used for war and other purposes. Chinese imports in July were about half as large as a year earlier, but exports have been well maintained.

Foreign economic conditions would be favorably influenced by a rise in business activity in the United States and an increase in the demand for imports of industrial raw materials to improve the purchasing power of countries supplying raw materials, many of which have been hard hit by the decline in prices and in the volume of foreign trade. United States imports have declined much more than our exports in the last year. Some increase in imports of industrial raw materials is likely to accompany any improvement in business.

Export trade of the United States has been relatively favorable throughout the 1937-38 recession. Exports of foodstuffs from larger crops continued as a big factor in our foreign trade. The increase in the quantity of grain and fruits exported has more than offset the decline in prices of these commodities, and the value of crude foodstuffs exported in July was considerably greater than a year earlier. Exports of unmanufactured cotton in July also were above the low level of a year earlier. In contrast, exports of coal, lumber, iron and steel scrap, steel products, machinery, and electrical appliances were much below those of a year earlier, although they held up well as compared with domestic trade during most of 1938.

Our total foreign merchandise trade as a whole usually declines in July to the low point of the year. The decline from June to July this year is in line with the usual seasonal trend.

The seasonally adjusted index of the volume of agricultural exports from the United States advanced to 86 percent of the 1909-14 average in July from 74 in June and the recent low of 37 in July 1937.

WHOLESALE PRICES

The general level of wholesale prices declined a little from mid-July to mid-August, losing the gain of the previous two months. Most of this decline occurred in prices of farm products and foods but prices of these and of some other products had recovered somewhat by September 3 when wholesale prices averaged 78 percent of the 1926 average.

Not much change in the general level of wholesale prices appears probable in the next few months. The effect of improvement in business and buying power toward increasing prices of farm products will be retarded because of the fact that prices of several agricultural products are now being supported by loans and purchases. Further increases in prices of some raw materials may be offset in part, at least, by lower prices of some finished products such as machinery, automobiles and other products of iron and steel.

Prices of such industrial raw materials as rubber, copper, hides, and silk have declined a little since late August, but they are still substantially above low levels of late May. Prices of wheat, cotton, cottonseed oil, cocoa, coffee and lard have at the same time been steady to weak. Prices of sugar and new crop corn futures, on the other hand, have increased somewhat. The unsettled situation in Europe and the recent marked

decline in the pound sterling have undoubtedly had a depressing effect on domestic prices of these commodities. However, the need for replenishing inventories in several lines of wholesaling is a strengthening factor in the price situation for some of these raw materials. Some pickup in retail and wholesale trade is expected to be reflected in a better domestic demand for raw materials, but no sharp increase is likely unless there is also some improvement in foreign demand.

The combined wholesale prices in 9 foreign countries resumed their slight downward trend in July after being unchanged from May to June. Prices were steady from June to July in Japan and Germany whereas prices declined in France, Italy, Poland, Belgium, Netherlands, England, and Canada. Despite the weakness in the pound sterling, prices in England, as in France, declined somewhat further in August whereas German prices increased slightly.

PRICES RECEIVED AND PAID BY FARMERS

Market prices indicate that the general level of prices received by farmers in mid-September is about the same as in mid-August. Lower prices for cotton, wheat, and some meat animals since a month ago have apparently been offset by some increase in prices of feedgrains, hogs and eggs.

The general level of prices received by farmers in mid-August at 92 percent of pre-war level was 3 points less than in July and the same as in June of this year. In August, 1937, farm prices were 123 percent of the pre-war level. The preliminary estimate of prices paid by farmers for commodities in August declined to 122 percent of the 1910-14 average from 123 in July and 132 in August 1937. The ratio of prices received to prices paid by farmers at 75 percent of pre-war in August was a little lower than in July and 18 points less than a year earlier, but 1 point above the recent low levels in May and June.

FARM INCOME

Preliminary estimates of farmers cash income from marketings in August indicate that returns in that month were larger than in July, but that the increase was less than the usual seasonal change from July to August. Receipts from sales of livestock and livestock products were below July but the decrease was less than seasonal. Cash income from marketings of crops was larger than in July although the increase this year was much less than usual due in part to the marked decline in farm prices of many important crops.

Reduced marketings of wheat together with lower prices resulted in a sharp decrease in cash receipts from wheat in August instead of the usual small increase. Marketings of cotton increased less than usual from July to August and prices declined. Income from corn marketings was down more than seasonally. Income from other grains was up but the increase was less than usual. Receipts from tobacco made more than the usual seasonal increase from August.

Income from marketings of meat animals was down but the decrease was much less than the usual seasonal reduction in August. Cash receipts from dairy products made a small increase in August over July, instead of the usual small decrease, as heavy marketings offset the smaller than seasonal increases in prices. The reductions in cash receipts from marketings of poultry, eggs, and wool in August as compared with July were much less than usual.

As reported August 21 the level of agricultural production and prospective demand for farm products indicate a cash income from farm marketings and Government payments in 1938 of about \$7,500,000,000 compared to \$8,600,000,000 in 1937.

COTTON

There was a decline of $1/3$ cent in the average domestic price of American Middling $7/8$ inch cotton between the week ended August 13 and the 2 days ended September 13, despite the announcement of the Government's 1938 loan program on August 27.

The 1938 Government Loan provides for an advance of 8.3 cents per pound for Middling $7/8$ inch cotton to producers cooperating in the Adjustment Program. Loans at prices above or below this figure will also be made on cotton of other grades and staples except certain inferior qualities not deliverable on futures contracts. At the time the loan was announced, Middling $7/8$ inch cotton in the 10 designated markets averaged 8.36 cents but by September 13 had declined to 7.93 cents.

In the United States, developments in the cotton textile situation were irregular during the past month. Manufacturers' weekly sales of cotton textiles were, with one exception, below output as was the case during most of July. Although domestic mill activity adjusted for seasonal variation averaged approximately 10 to 15 percent higher in August than in July (on the basis of heavy sales in June), the 561,000 bales consumed in August was 7 percent less than a year earlier.

In foreign countries, most reports indicate that cotton spinning and weaving mills continued to lose ground. Weekly reports to the New York Cotton Exchange Service from most of the important cotton consuming countries stated that weekly sales were quite generally below production and that activity in a number of countries was declining still further.

A 1938 United States crop of 11,825,000 bales was recently forecast by the Crop Reporting Board on the basis of September 1 conditions. This is 163,000 bales less than the forecast as of August 1. Such a crop would be 7,121,000 bales less than that of 1937 and with two exceptions - 1934 and 1935 - the smallest crop in 15 years. Little additional information has been received with respect to crop prospects in foreign countries, total foreign production being expected to be considerably less than the record 1937 crop.

WHEAT

Wheat prices in United States markets are generally higher than a month ago, even though prices in other important wheat countries are sharply lower. Prices at Kansas City and St. Louis were somewhat higher while prices at Minneapolis were steady to lower. Factors which have caused world prices to decline include: Upward revisions in the already large production estimates, liberal offerings by exporting countries with only moderate export inquiry, and heavy marketings of United States and Canadian spring wheat. Factors which have caused prices in United States markets not to decline with world prices include: Smaller offerings as prices continued below the Government loan basis, announcement of conservation and price adjustment payments in connection with the 1939 agricultural program, and announcement of the surplus wheat and flour purchase and export program. Recently both foreign and domestic prices have been strengthened by political developments in Europe and more active inquiry from importing countries.

Prospective world wheat supplies 1/ for the year beginning July 1, 1938, are now indicated to be about 560 million bushels more than a year ago. World stocks of old wheat 1/ on about July 1 are estimated at about 620 million bushels, or about 75 million bushels more than a year earlier. Estimated world wheat production 1/ is now estimated at about 4,320 million bushels, or about 485 million bushels more than in 1937. This figure, however, may be higher than justified since it includes the official estimate for one country which is generally believed to be too high. The crop in the Northern Hemisphere 1/, including the questionable figure for one country, is estimated to be about 3,850 million bushels, which is about 455 million bushels more than the harvest of 1937. On the basis of weather conditions to date, the crop in Argentina is tentatively forecast at about 65 million bushels more than last year while for Australia it is tentatively placed at about 35 million bushels less than in 1937.

A United States wheat crop of 940 million bushels was indicated by September 1 conditions. This is 16 million bushels less than the estimate a month earlier. A crop of this size would be the fourth largest on record, and about 260 million bushels in excess of the 10-year (1928-37) average domestic disappearance.

CORN AND OTHER FEED GRAINS

The general level of feed grain prices advanced slightly from the week ended August 13 to the week ended September 10. The principal factors supporting feed grain prices apparently were the reduced prospects for the corn crop and the announcement of the Commodities Credit Corporation that a loan of 57 cents per bushel would be offered on corn still on hand from the 1937 crop. On the basis of conditions on September 1, the indicated 1938 corn crop is below the level of normal domestic consumption and exports. If the size of the crop is as now indicated, the loan rate on 1938 corn will be 75 percent of parity instead of 70 percent of parity, as was expected on the basis of indications on August 1. The parity price of corn on August 15 was 81.5 cents per bushel.

1/ Excluding Soviet Russia and China.

During August the corn crop was severely damaged by drought and grasshopper infestation in large areas of Nebraska and South Dakota, and in smaller areas of Kansas and Missouri and feed grain supplies may again be short in these areas. In Nebraska the prospective corn crop was reduced 90 million bushels and in South Dakota by 29 million bushels. The indicated total production of feed grains on September 1 was 94 million tons, or about 4 million tons below the indicated production on August 1. The prospective total supply of feed grains was reduced to 107 million tons, which is about the same as the 1928-32 average. The indicated supply per grain consuming animal unit is slightly smaller than the very large supplies last year, but larger than in any other of the past 12 years. Indicated tame hay production increased slightly during August, and prospective hay supplies for 1938-39 are still indicated to be the largest in recent years. Pasture conditions over the greater part of the country have been considerably above average this season.

Exports of corn have fallen off considerably during recent weeks, but, in view of the short supplies in Argentina and the probable European requirements, it appears that this lower level of exports is only temporary. Exports for the period October 1, 1937-September 10, 1938, which include incomplete statistics for the period August 1-September 10, totaled nearly 127 million bushels.

RICE

The average price received for rice by California farmers remained unchanged during the past 3 months while prices in the Southern States have advanced from the low June level. The prospective 1938-39 supply of rice is about the same as in 1937-38, and some improvement in domestic demand is in prospect.

The condition of the rice crop continued generally favorable for rice production during August and on the basis of September 1 indications the 1938 crop will exceed 54 million bushels, which would be the largest crop on record. On the basis of September 1 indications, the total supply of rice for 1938-39, including total stocks in the Southern States and in California on August 1, will be 16,900,000 barrels, or slightly below the supply in 1937-38. The indicated Southern supply of 13,600,000 barrels is about 2 percent larger than the supply last year. The indicated supply for California is 3,300,000 barrels, which is about 13 percent below the 1937-38 supply.

Exports of rice were well maintained during the greater part of the 1937-38 marketing year. In July exports of rice amounted to about 32 million pounds, which were the largest for that month in more than 14 years. Total exports for the 1937-38 marketing year amounted to about 312 million pounds, which was the largest yearly total since 1929-30. In 1935-36 only about 76 million pounds of rice were exported and in 1936-37 only about 64 million pounds. Increased exports of rice this year were largely the result of the special arrangement with Cuba under which United States rice was given a special rate of duty. Consequently, about two-thirds of our total exports in 1937-38 went to Cuba as compared with a very small percentage in earlier years. Shipments of rice to insular possessions amounted to about 333 million pounds during the 1937-38 marketing year, which was 12 percent larger than in 1936-37 and the largest on record.

BUTTER

Butter prices have been practically unchanged since early June. This stability of prices has been due in large part to the purchases by the Dairy Products Marketing Association. Butter production has been much larger than a year ago but apparent consumption has been about the same. Storage stocks have increased rapidly and are unusually high.

Production of creamery in July was 7 percent larger than a year earlier and 2 percent above the preceding peak for the month. While there is a marked seasonal decline in production during the last half of the year, it is probable that production will continue relatively high compared with other years. Butterfat prices are relatively high compared with feeds, and supplies of feed per animal unit are above average.

In contrast with the marked increase in production apparent consumption of butter has been approximately the same as a year earlier. Retail prices of butter in July were about 14 percent less than a year earlier. Apparently consumer expenditures for butter in August were about 13 percent less than a year earlier.

Through September 3 the Dairy Products Marketing Association had purchased about 72 million pounds of butter. On September 7 it was announced that additional funds had been made available for the purchase of butter up to 115 million pounds. This butter is available for resale on the open market when prices rise enough to cover costs plus a small additional amount, and to the Government for relief distribution.

POULTRY AND EGGS

The outlook for poultry and eggs until early 1939 is partly indicated by the fact that (1) chicken prices continue at low levels relative to last year and (2) egg prices have been increasing in relation to 1937.

The feed-egg price ratio will be influenced by the prospective large supplies of feed grains and the favorable price for eggs as compared with last year.

Supplies of poultry during the remainder of 1938 are likely to continue larger than in 1937. Storage stocks of poultry by January 1 are likely to exceed those of the year before.

The peak of egg storage holdings has been reached. These holdings, an important source of supplies until the early months of 1939, are far below those of last year or most other recent years. This shorter supply of eggs will be accompanied by some increase in consumers' incomes.

HOGS

A fairly large seasonal increase in hog marketings in the coming fall and early winter is in prospect. The percentage increase in marketings, however, may be less than in the fall and early winter of last year. Consumer demand for meats is expected to improve somewhat from present levels in the next few months, whereas last fall and winter there was a marked weakness in the demand for hog products. Storage and export demand for hog products this fall and winter may be better than a year earlier. For the coming marketing year which begins October 1, it is expected that hog marketings will be materially larger than in the present year, but consumer demand for meats in 1938-39 probably will average somewhat stronger than in 1937-38.

After advancing during June and July, hog prices declined fairly sharply in the first half of August, and then were fairly steady during the remainder of that month. Prices strengthened moderately in early September. For the week ended September 10 the average price of butcher hogs at Chicago was about \$3.85 compared with about \$9.65 in late July, before the drop in prices began. In early September last year the weekly average price of butcher hogs was about \$11.50.

The weakness in hog prices during August apparently was partly the result of the fact that marketings tended to increase during the first half of the month, whereas marketings in August usually are smaller than in July. Hog slaughter under Federal inspection in August, totaling 2,467,000 head, was 9 percent larger than in July and it was about 55 percent larger than the small slaughter of August last year. The larger hog slaughter in August than in July was brought about chiefly by the unusually large market movement of early spring pigs in the past month. In most years marketings of spring pigs do not become large until late September or early October.

Hog feeding prospects for the coming year are rather favorable. Feed supplies will be abundant in nearly all regions, except in the Corn Belt area west of the Missouri River. Average weights of hogs marketed in 1938-39 probably will continue heavier than average. The abundant feed supplies and the high hog-corn price ratio will almost certainly result in a further increase in the number of pigs raised in 1939.

CATTLE

Marketings of grain-fed cattle during the remainder of 1938 and in early 1939 probably will continue larger than a year earlier. And with a fairly large seasonal increase in hog marketings during the fall and early winter, slaughter supplies of meat animals in the next few months are likely to exceed those of recent months, as well as those of corresponding months last year. But the effect of larger livestock supplies on prices of the better grades of cattle is expected to be partly offset by improvement in consumer demand for meats.

In contrast to the supply situation for the better grades of slaughter cattle and for hogs, marketings of cows, heifers, grass fat steers, and stocker and feeder cattle for the remainder of the year are expected to be

smaller than in the corresponding period of 1937. The seasonal increase in marketings of such cattle through October is likely to be less than usual, and this may result in relatively small seasonal price declines during the next 2 months. With abundant feed supplies per animal, the demand for feeder cattle and for cattle for herd replacement has been comparatively strong this year. Prices of such cattle have averaged only moderately lower than those of a year earlier, although prices of well-finished, grain-fed cattle have averaged from 25 to 35 percent below those of corresponding months last year.

After advancing sharply in July to the highest level of the year, prices of the better grades of slaughter steers declined somewhat in early August. But in the case of well-finished steers all of this decline was recovered in late August and early September. Prices of the lower grades of slaughter steers and of cows declined from late July to early September, with seasonally increased supplies, but the declines were not marked. Except for a temporary rise in July, prices of stocker and feeder cattle have remained about steady since March. Inspected cattle slaughter in August was 3 percent larger than in July, but was 4 percent smaller than that of a year earlier. Inspected calf slaughter in August was 15 percent smaller than in August 1937.

LAMBS

Slaughter supplies of sheep and lambs are expected to increase seasonally through October, and total marketings during the fall season probably will be larger than a year earlier. Prices of lambs usually weaken slightly, or hold about steady, from September through November. The effect of increased supplies on prices this fall probably will be offset, in part at least, by improvement in consumer demand for meats.

The lamb crop in 1938 was about 5 percent larger than that of 1937, and was the largest on record. Most of the increase occurred in the four Western Sheep States: Texas, California, Wyoming, and South Dakota. Marketings of sheep and lambs from the 13 Western Sheep States to the end of 1938 are expected to be somewhat larger than in the corresponding period of 1937, with the extent of the increase being determined largely by the disposition of the large lamb crop in Texas. The number of western lambs purchased on contract for fall delivery, mostly for feeding, has been relatively small this summer, and much smaller than a year earlier. Lambs on range and pasture generally have made good gains, and marketings of western lambs this fall probably will include a larger proportion of fat lambs than a year ago.

Inspected slaughter of sheep and lambs in August was 10 percent larger than in July, 7 percent larger than in August 1937, and was the second largest for the month on record. With the marked increase in slaughter, prices of lambs declined fairly sharply in late July and early August. Despite some fluctuation, prices continued low through early September. For the week ended September 3, prices of good and choice spring lambs at Chicago, averaging about \$8.30 per 100 pounds, were more than 20 percent lower than in the corresponding week last year.

WOOL

The domestic wool situation has improved in recent months. Mill activity has increased, and prices of wool are somewhat higher than in early summer. During the remainder of 1938, domestic prices will be greatly influenced by the movement of foreign prices. Wool manufacturing activity has increased in some European countries, but Japanese buying remains greatly curtailed and the general situation remains uncertain.

It now appears likely that total supplies of Southern Hemisphere wool for the current season will be slightly larger than in 1937-38. On the basis of returns from three important countries the quantity available is likely to be about the same as the average for the five seasons 1932-33 to 1936-37. The larger supplies this season as compared with last are the result of a considerably larger carry-over, since production in the three countries combined is estimated to be slightly smaller than last season.

The weekly rate of consumption of apparel wool by United States mills in July was the highest reported since last August and was 11 percent greater than in July last year. But because of the small consumption in the early months of 1938, total consumption in the first 7 months of this year was more than 40 percent smaller than in the same period last year. Unfilled orders for wool piece goods increased in the second quarter of this year. With stocks of finished and semi-finished goods relatively small and with prospects for some improvement in the general business situation it is expected that mill consumption will increase further during the remainder of 1938.

Total supplies of raw wool in the United States on August 1 remained much larger than at the corresponding time in 1936 and 1937. But mill consumption in the remaining months of 1938 is expected to be larger than in the same months of last year and imports probably will continue relatively small. By the end of 1938, therefore, stocks may be no larger than a year earlier.

FRUITS

Fruit prices are at lower levels this season compared with last year than the change in supply conditions alone would indicate. The prevailing relatively low prices of most fruits are attributed mainly to reduced consumer purchasing power, although supplies of some fruits are large. Increased industrial activity is expected to bring some improvement in consumer incomes during the fall and winter.

Prospective apple production for the 1938 season declined about 2 percent during August and is now indicated at 132 million bushels, compared with 211 million bushels produced in 1937 and the 1927-36 average of 151 million bushels. Prices of most summer apples, however, have not been greatly above last year's low prices. The 1938 pear crop was indicated on September 1 at

32 million bushels, slightly larger than the 1937 crop and nearly one-third larger than the 1927-36 average. Although pear supplies are not greatly different than a year ago, prices are considerably lower than those of last season. The California grape crop is slightly smaller than the record production of last year, but prices of early table grapes are materially lower than prices received last summer. Indicated production of grapes in other important producing regions is considerably below the relatively large crop of 1937 and below average. Production of peaches in the last States, excluding California, is indicated to be about one-third smaller than the large crop of last year.

Citrus crops from the bloom of 1938 (marketed in 1938-39) developed under favorable conditions in all States during August. The September 1 condition of Florida oranges is slightly above that of a year ago. In California condition of all oranges is reported about 6 points above September 1 condition last year. The condition of grapefruit is above average and above last year in Florida and Texas, but below average in California and Arizona.

POTATOES

Potato prices at market centers weakened slightly during recent weeks. At New York City potatoes (excluding Russet Burbanks and California White Rose) averaged 75 cents per 100 pounds the first week in September, compared with 79 cents a month earlier and with 91 cents a year ago. At Chicago, Round Whites averaged 79 cents per 100 pounds in early September, against 88 cents a month earlier and \$1.00 a year ago.

The late potato crop deteriorated slightly during August. Production as of September 1 (excluding the California early crop) was indicated to be 294 million bushels, compared with 309 million last year and 299 million bushels, the 1927-36 average. During August there were slight decreases of about a million bushels each in the eastern and central groups of late-potato States, and about 5 million bushels in the western States.

Marketings of potatoes during recent weeks have been largely from nearby areas by motor-truck and of homegrown stock, but carlot shipments have begun to increase slightly from the seasonal low point reached during the first week of August. Shipments from the late States are increasing rapidly, while those from the intermediate States are decreasing. For the country as a whole, the total carlot movement recently was just above 2,000 cars per week, but it probably will increase to more than double that figure in the next few weeks.

TRUCK CROPS

Hot, dry weather in late August caused some damage and delay to truck crops in eastern producing sections. Farther west, growing conditions continued rather favorable. Supplies of most products were plentiful during recent weeks, but many commodities registered price advances. Compared with early August, wholesale prices in large markets recently were higher for 10 important truck crops, while prices were lower for cantaloups, western cauliflower, Honey Ball melons, onions, western green peas, sweetpotatoes, and tomatoes. Compared with a year ago, the early September wholesale prices were higher for beets, eggplant, green peas, spinach, and tomatoes. Most other products were lower than a year ago in both the eastern and midwestern markets. Total carlot (rail and boat) shipments of 23 truck crops recently showed a one-third increase over the low point established in late August, and amounted to 4,500 cars during the week ended September 3.

Production of late beets in Pennsylvania is indicated to be about 11 percent less than last year's crop. The domestic crop of late cabbage is now estimated to be somewhat smaller than the August indications but still the largest crop on record. Danish-type cabbage production in the late States is indicated to be practically as large as the record crop of 1934 and 54 percent above the relatively small crop of last year. Late carrot production is indicated to be 10 percent greater than last season. Late cauliflower acreage on Long Island shows an increase of 3 percent over that of last fall and growing conditions have been very favorable. Celery production in the first group of late States may be 21 percent larger than that of 1937, and acreage in the second group of late States is indicated to be 13 percent above the 1937 harvested acreage. Lettuce acreage in the second group of late States shows a decrease of 10 percent below that of last year. The late crop of onions is now estimated to be below the August indications but still slightly larger than the 1937 crop and 10 percent above the 10-year average. Green-pea production in the second group of late States may be 20 percent larger than last season and double the average crop. The late crop of tomatoes in southern California is indicated to be 21 percent above that of 1937.

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (monthly adjusted for seasonal variation). Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties. Monthly index described in Survey of Current Business, February 1933.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Entire series was revised in July 1937.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees.
- 6/ Bureau of Agricultural Economics, 1925-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics 1910-14 = 100.
- 11/ Preliminary.